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STATE RAILWAYS IN AUSTRALIA.

INDUSTRIAL discontent in Australia has not manifested itself by burning hundreds of freight cars in one night, nor have the strikes which are common there been directed specially against the railways, as has been so notably the case in the United States. Here the safeguards which are thrown around property seem to be less effective in proportion to the importance and wealth of the corporation in control. Whatever the cause may be, our railways are regarded as legitimate prey by all classes, from the millionaire shipper who demands passes in consideration of the great amount of traffic which the road carries for him at cut rates, or the politician who makes the same demand on the ground of "influence," or levies blackmail by threatening vexatious legislation, down to the striker who demands increased wages regardless of the financial condition of the road, or his riotous supporter who loots and burns cars with a vague notion that nobody but the railway suffers. Even the government officials here seem to regard railway property as less sacred than the property of other corporations and individuals. This feeling may be partially due to the disregard of law and of the rights of others which the railways have shown in many ways. From this and other causes has arisen a demand, which the recent strike with its far reaching consequences has done much to strengthen,

for a closer government control or even for ownership and management of the railways by the government.

This change is advocated by a school of social agitators who favor an extension of the functions of government in all directions. Naturally they wish to begin with those instruments of production most monopolistic in their nature, most widely used, and farthest removed from individual ownership and control. They regard the present industrial system as essentially iniquitous and wish to strike the first blow for its overthrow by nationalizing these most important industries, the means of transportation and the means of lighting our cities. They are supported by a large body of unthinking people who see evils in the present *régime*, who look upon the railways as the worst offenders, and who do not realize the far reaching consequences of the proposed movement.

Those who advocate the nationalization of the instruments of production are wont to cite, in support of their position, the success of state ownership and management in Prussia, Australia, and other countries. But what they call success is not always so denominated. The criteria by which they test an industry differ somewhat from those applied by the business man or the economist. The latter are likely to make the supreme question, Does it pay financially? while our socialistic friends say that we must not inquire too closely into the pecuniary returns, but look at results in the large, the effects upon men, the increased prosperity and happiness of the community in order to determine the success of any system or enterprise. Unfortunately they offer no means by which these latter points are to be ascertained. Who is to determine whether the well-being of the community has been increased or diminished? Is not ability and willingness to pay the safest and surest test of the improvement? If a railway really increases the prosperity of a community is not that prosperity manifested by increased ability to pay for the services of the railway? Many kinds of expenditure are made, and rightly made, with no expectation of a return in money. But an individual or a well-regulated community does not sink wealth

in railways or other objects whose purpose is wholly utilitarian, unless a definite return is in sight. Years may be necessary to realize this return, but in proportion to the time of waiting must be the greatness of the profit finally realized. True, the ground may be taken that the means of communication are a necessity of modern life which should be furnished by the government with no special regard to income. Or one may go so far as to say that they should be entirely free to all, expenses being paid from the general treasury. As this would require a doubling of all our taxes, that is the payment of another billion dollars annually, the taxpayers are not likely to entertain such a proposition for a moment. It remains, then, for the government, if it takes control of the railways, to manage them on business principles, and make them pay their own way, or come as near to it as possible. Any light which experience can shed upon the problem is increasingly desirable in proportion to the demands for and the probability of public ownership and control in this country.

Experience there is in abundance. But how much of it is really helpful to us? The experience of European countries is no sure indication of what may be expected here, for military conditions, density of population, different conditions of traffic and travel, and perhaps more important than these factors, the different organization of government and the different conception of its functions, enable Germans to do what we could not expect to accomplish. Even in Prussia, where the experiment has been tried under the most favorable conditions, there is a difference of opinion as to the outcome. The roads have indeed been made to yield a profit, but at the expense of convenience and efficiency when compared with the English or American service; and their freight rates are much higher than the competitive system has secured for the United States. Even if there were no doubt as to the success of the Prussian roads it would by no means follow that a like success is possible here. The strength of their central government making impossible log-rolling to secure the building of roads, the efficiency of their civil service, insuring an honest if not a progressive management,

give them an advantage on two points of vital importance. When the United States can secure a central authority or commission uninfluenced by local demands or political considerations and a civil service as honest and effective as the Prussian bureaucracy, it may be possible for us to follow Prussia's example. Until that time a study of experiments in state socialism under conditions similar to our own will be more helpful. Unfortunately experience under conditions exactly similar is not obtainable, but Australia can offer us more than any other country, and her experience is full of warning to those who would enter the path of state socialism.

It may be worth while to note the points of similarity between Australia and the United States, for it is only when conditions are similar that the same results are to be expected. Both are new countries of great natural resources, with a scant population composed of English speaking people with all the customs, traditions and enterprise belonging to that race. Both have self government with no classes or class legislation, and no great vested interests to modify or control their development. Australia is a child of later birth, but in some respects her growth has been even more rapid than our own. Not only were colonists transplanted to Australia with the intelligence, customs and laws of nineteenth century Englishmen, but with them went, in the form of loans, the means of satisfying the desires of an advanced community. The Englishmen in Australia did not submit to the usual hardships of pioneer life. Thanks to his brethren at home, his cities, his railways, and other appliances which render labor effective, preceded rather than followed him. Borrowed capital has done much for America, but we have not depended upon it as has Australia. Most of our wealth has resulted from the labor and the waiting of our pioneers and their descendants. Our wealth belongs to us. Much of the wealth in Australia is owned in England. The difference in the railway policies of the two countries may be looked upon as both cause and effect of this condition,—a cause in that the system of government borrowing for railways has been the means of

obtaining great quantities of the capital which has rendered the transplanting of a full grown civilization a possibility ; an effect in that the demands of a progressive people rendered a slower and more natural development unsatisfactory and drove them into a policy of borrowing and dependence upon the English.

The comparison of Australian railways with those of the United States would give little light because there is such a diversity of conditions in the two countries. With an area equal to that of our country, Australia has a population only one-twentieth as great, and that population is concentrated in a few cities. By taking the best and most populous section of Australia and comparing it with one of our western states of similar size and population the most helpful results may be expected. In area, population, and general conditions, Kansas, more than any other state in the Union, seems to resemble Victoria. They are about the same age. Victoria became a constitutional government in the same year that the Kansas-Nebraska Bill concentrated the attention of North and South upon Kansas, but a considerable population had already been drawn to Australia by the gold discoveries. Even before the discoveries the population of Victoria was nearly one hundred thousand, and had increased to three hundred and twelve thousand in the year that Kansas began to be settled—a number not reached by Kansas until fifteen years later. The following table shows the growth of population in the two countries :

Year	- - -	1850.	1860.	1870.	1880.	1890.
Victoria	- -	76,152	537,847	726,599	860,067	1,133,266
Kansas	- -		107,206	364,399	996,096	1,427,096

This table shows that in the earlier settlement the advantage was with Victoria, and that in population she remained ahead till 1880.

The railway building also began earlier in the Australian colony. From 1845 to 1860 the railway question was there discussed, and the experience of England, France and Belgium studied.¹ A few private lines were built, but capital for them

¹ MORITZ KANDT, *Entwicklung der Australischen Eisenbahnpolitik*, pp. 113 *et seq.*

could be secured only by a state guarantee of interest. Even then the other opportunities for investment were so great that the guarantee of six per cent. did not attract sufficient capital, and the colony finally decided that the only way to get the necessary railways was to build them.¹

During the period of this discussion, however, Kansas, through private enterprise, had been supplied with fifteen hundred miles of railway, while Victoria had secured but two hundred and seventy-four miles by 1870. Since that year Kansas has developed faster and secured railroads much more rapidly than Victoria has been able to do with all her borrowing. The mileage has been as follows :

Year	-	-	-	-	-	-	-	-	-	1870.	1880.	1890.
Victoria	-	-	-	-	-	-	-	-	-	274	1,119	2,471
Kansas	-	-	-	-	-	-	-	-	-	1,501	3,400	8,874

At the outset there were but two ways of securing capital open to the Australian government, viz., taxation and borrowing. It was expected that after a few roads were built the profit from them would build new lines, and also pay the expenses of the government. The same hopes which led Pennsylvania to sink forty million dollars in canals and railways, and led Ohio, Indiana, Illinois and other states to spend ten or fifteen million dollars apiece in like enterprises before 1840, was at work among the Victorians, and the results were much the same. The facilities for borrowing have been greater in the later period, and Australia has developed rapidly enough to meet the interest charges by taxation, so that she has not yet been obliged to default, as Pennsylvania, Indiana and other American states did.

Why tax ourselves to build railways, they reasoned, when in a few years the railways can pay for themselves and aid in paying the expenses of the government? Railways are productive enterprises; they benefit the country directly and indirectly; it is impossible to have too many of them, so let us borrow and build; and borrow and build they did. In the five years from 1858 to 1862 the Victorian government had incurred a debt of

¹ *Ibid.* p. 146.

over \$38,000,000 to open only 214 miles of road, an average expenditure of \$130,000 per mile. From 1862 to 1870 the expenditure in building railways ranged from \$500,000 to \$4,000,000, with an average of \$1,341,000 per year. Yet the \$10,700,000 additional expenditure opened only 60 miles of new road, thus bringing the average cost up to \$177,000 per mile. Since 1872 the building has been more rapid, and the expenditure has ranged from \$4,000,000 to \$18,000,000 per year, bringing the total expenditure upon railways up to \$181,692,504 (£37,462,372) in 1893.¹ The cost per mile has declined greatly, and at present averages about \$61,425,² some \$2,000 less than the average of the United States roads as returned by the companies, but it is well known that the returns here are above the actual cost.

Kansas railways are returned at \$47,437 per mile, \$27,160 of which is bonds. As the stock of the purely Kansas roads is largely water, and gets no dividends, it can hardly be counted as part of their cost. It is safe to say that the Kansas lines have cost less than half as much per mile as those built by the government of Victoria, but the latter are built more substantially. The difference, though, can hardly be so great as the difference in cost. In spite of construction companies and other means used to swell the construction account at the expense of the bondholders, Kansas and other states of the Union have secured their railways much cheaper than the government of Victoria has been able to build its roads. This is a point of much importance, and the showing is probably as favorable in Victoria as could be expected here. In all the charges and investigations there, it is generally admitted that the contracts have been let and the work carried on with a fair degree of honesty. Mismanagement and inefficiency have often been charged, and questions of policy have led to serious differences, but fraud seems to have been absent. The difference in cost, then, must be due to greater efficiency and better management by private companies.

¹ *Victorian Railway Committee Report*, 1893, p. 9.

² *Ibid.* p. 28.

The amount of useless building, if building far in advance of the population, or the possible needs of the community be called useless, has been great in both states. Both have many miles of road which do not pay operating expenses, to say nothing of interest on capital. In Kansas this excessive building has been largely due to the rivalry of competing companies. They build branch roads to secure traffic for the trunk lines, and, taking the systems as a whole, they manage to make expenses and pay interest, if not too seriously interfered with by hostile legislation. In Victoria the excessive building has been due to political conditions. Each new line must be voted by parliament, and naturally each member tries to secure a road for his constituency. Such conditions make log-rolling almost inevitable. Mr. Speight, the chairman of the Victorian Railway Commission, gives the following statement of the manner of determining what lines shall be constructed: "The railways of Victoria have hitherto been made on the principle that if there is a certain amount of money available for constructing railways it should be fairly and equitably distributed over the colony."¹ Acting on this principle lines have been built through territory where the population consists of one sheep to three acres.² The whole policy has been to build without expectation of early returns. As England furnished the capital and the colony at large was responsible for the interest, the check upon useless building has been reduced to a minimum.

Just here an important difference between useless building under public and private management should be noted. Shall the whole people be responsible for the mistakes of their representatives, or shall each company pay for the blunders of its officers? In either case experience proves that building is likely to be too rapid. Under state ownership there is no limit to the amount expended so long as the state's credit remains good. As the Australian colonies were able to borrow on easy terms, they increased their borrowing and building every year until the

¹ *Report of the Parliamentary Standing Committee on Railways*, 1891, p. 18.

² J. W. FORTESCUE, *Nineteenth Century*, April 1891.

crash of 1890 made it hard for them to float further loans. Without exception these new lines imposed additional burdens upon the taxpayers, for not one of them paid expenses and interest. The Chief Commissioner of Railways said they would do well if they paid in five years, but he was sure that the country would develop sufficiently to make them profitable by 1900.¹

The managers of railway systems in the United States are probably as ready to build new lines and develop new territory as the legislators of Australia are, but they are guided by other principles than the desire to distribute the benefits of the new roads equally to all sections of the country. They may look a long way into the future and build branches which, at present, do not pay either by their own traffic or by what they furnish to the main line. But a system which builds many such lines soon finds itself in a receiver's hands. Thus the self interest of the owners and managers offers one check to extravagant building. They must not go beyond what their system can carry, while Victoria goes beyond the ability of the entire railway system of the colony and saddles the deficiency upon the taxpayers.

If Kansas should put all her railways into one system, let the good ones pay the losses of the poor ones, remit the \$1,800,000 taxes they pay, and give them a bonus of one or two million dollars a year, she would be doing precisely what Victoria does for her railway system, although, with a larger territory and almost as large a population, the southern colony has but one-third as many miles of railway. The farmers and shippers of Kansas are not slow in making complaints against the railways, nor have they been free from legislation which the railway men call confiscation. The party now in control demands government ownership, and if this is to be secured by confiscating the existing roads, thereby wiping out all interest charges, the farmers might gain something by this, provided they kept the management up to its present efficiency. But if they took the roads at their bonded value, wiping out all the stock, and under-

¹ *Report of the Parliamentary Standing Committee*, 1891, p. 44.

took to pay four per cent. on the bonds, business and rates remaining the same as at present, they would find themselves confronted with a deficit of \$5,000,000, no part of which could be assessed upon the railways. Or to put it in another way, the railways of Kansas do their business in that state at rates that leave them, after operating expenses and taxes are paid, \$4,300,000, which is less than two per cent. on their bonds with nothing on their stock.¹

The state surely could not duplicate the existing lines for less than \$241,000,000, their bonded debt, nor could it borrow that amount at less than four per cent. Indeed it is probable that before that amount was secured the state would find difficulty in borrowing, and thus have a check placed upon the extension of the railway system. The through lines and systems that have resources outside of Kansas have built many unproductive lines within the state by raising money upon their general credit when it could not have been secured by the Kansas line alone. These systems have stopped building only when their credit was so stretched that new loans were placed with great difficulty. The private enterprise of railway officials has secured for Kansas a much greater railway equipment than Victoria has been able to obtain, and this without taxing the people save for the local aid which they have voted to some roads. If these roads do not pay operating expenses, taxes, and interest, the owners suffer, but the state levies no tax to aid them. In Victoria the taxes which have been paid to keep the railways running amount to almost \$35,000,000, an average of \$1,000,000 a year since the first road was opened.²

If this amount is saved to the people of Victoria in lower rates the showing will not be so bad. It is, therefore, in order to make a comparison of rates on the two systems. Unfortunately the returns made by the railway commissioners of Victoria do not enable the comparison to be made in the way that would be most telling or most desirable from the standpoint

¹ *Kansas Railway Commissioners' Report*, 1892, pp. 243-245.

² *Victorian Year Book*, 1892, vol. ii. § 197.

of the public. They do not give the ton mile or the passenger mile rates nor do they separate the train mile earnings of freight and passenger trains. The train mile income and expenditure may be as good a unit as any from the railway managers' standpoint, but it does not afford the public the information which it wants. Besides there is a great difference in trains, particularly when the returns for passenger and freight train mileage are lumped together.

The average gross earnings per train mile in Kansas in 1891 were \$1.38, in Victoria, \$1.34, but the expenses were \$.94 in Victoria to \$.90 in Kansas, showing a net earning of \$.48 per train mile in Kansas to \$.40 in Victoria. This shows operating expenses to be almost five per cent. lower under private than under public management. From the railway managers' standpoint the Kansas roads show the better results, though, with a mileage three times as great, the advantage ought to be with the state owned roads. If the comparison of earnings per mile of road be made, the result is even more strongly in favor of private management. In 1889 the gross earnings in Victoria were \$7,042.20 per mile, a trifle over 10 per cent. on the capital invested. Since that time there has been a constant decline in earnings per mile and the returns for 1893 show that each mile of line is credited with a revenue of only \$4,832.90, a loss of \$2,270 per mile in five years.¹ The gross return on the capital invested is now less than 8 per cent. on the reported value, as against 11.6 per cent. in the United States. Comparing the gross earnings, the expenses and the net earnings per mile of road in Victoria and in Kansas for 1892, the year before the extreme depression occurred in Victoria, the following results are obtained:

		Victoria.	Kansas.	Difference in favor of Kansas.
Gross earnings	-	\$5,305.90	\$5,579.96	\$274.06
Expenses	-	3,666.60	3,619.66	46.94
Net earnings	-	1,639.30	1,960.30	321.00

With greater gross earnings and less operating expenses Kansas shows a net revenue for each mile of line \$321 greater

¹ *Victorian Railway Commissioners' Report*, 1893, p. 28.

than the state owned roads of Victoria obtain, and that in spite of the fact that Kansas has three times as many miles of roads, in a smaller territory, and with a population only slightly greater.

If the comparison be made between the railways of Kansas and New South Wales, in the same way that it has been made with Victoria, the advantage will be slightly in favor of New South Wales, but she has even fewer miles of road than Victoria, and a territory three or four times as large, so that the comparison would be less fair than the one already made.

Since the ton-mile rates are not given for the Victorian railways it will be necessary to make the ton-mile comparisons (which are the best measure of the price paid by the community for the service rendered) with the rates in New South Wales. The commissioners of that colony give tables showing that their rates are lower than those in any other colony,¹ so here again state management is given the advantage of the best showing that it can make.

The average rate on all freight carried in New South Wales is 1.63 pence (3.26 cents) per ton-mile, which is precisely twice as high as the charge in group X, the Pacific coast states, where rates are higher than in any other section of the Union. If the comparison be made with the average ton-mile rate for the United States, 8.9 mills, the rates of the best state railways of Australia are found to be nearly four times as high as our average rates. The New England group comes next to the Pacific in the height of its freight rates, though its passenger rate is the lowest. The high freight rate in New England is at least partially accounted for by the fact the proportion of first-class freight is large, while coal, minerals and agricultural products form a smaller part of the total traffic than in other groups. Then, too, the length of haul in New England is less than in other sections of this country. It has been suggested that these reasons, viz., large proportion of high class freight and absence of long-haul traffic, account for the high rates which prevail in Australia. An analysis of the traffic upon the railways of New South Wales shows

¹ *New South Wales Commissioners' Report*, 1893, pp. 6 and 7.

that the first explanation does not hold, for almost 60 per cent. of the freight is coal, which is carried at an average rate of 1.48 cents per ton mile, .59 cent higher than the average of all freight in the United States, and more than twice as high as the rates in group III. Indeed, the rate on coal which furnishes three-fifths of their traffic, and is carried at a rate lower than any other kind of freight except hay, straw, chaff, and some other coarse agricultural products, is higher than the average rate of any group except the Pacific coast states, and is within 1.5 mills of that, our highest rate.

On coarse farm produce the rates have been lowered at the demand of the farmers to 1.21 cents per ton-mile, a rate .31 cents higher than the United States average. Their lowest rate is not only higher than our average, but is higher than the average in six out of the ten groups into which the United States are divided for the purpose of railway statistics. It is therefore evident that the height of their charges cannot be explained as above suggested, and the more so because their low rates are given on three-fifths of their traffic. Since their low rates are so far in excess of the rates on all classes of freight here, it is hardly worth while to make comparisons with their charges on the higher classes of goods but merely to state what those charges are. On goods and merchandise, which furnishes 14 per cent. of their traffic, the rate is 4.36 cents per ton-mile, while wool, which is 3 per cent. of the freight carried is charged even more, that is 4.84 cents per ton-mile.

As to the second point in the explanation, that the greater proportion of long haul traffic here enables our roads to do the business at lower rates, it does not hold at all. True, the average distance a ton is carried in New South Wales is only 60.64 miles to 120 miles in the United States. But for each ton of goods carried the government railways get \$2.08,¹ while the private railways in this country get \$1.06 for carrying a ton twice as far. In other words, they do double the work for half the pay. But the difference does not end here, for New South Wales

¹ *Victorian Year Book*, 1892, § 224.

makes a terminal charge in addition to the rates given above, while the one rate includes all charges on the United States railways. If the station charges are properly adjusted the length of haul makes little difference. There seems to be no way of avoiding the conclusion that in Australia the people pay the state four times as much for a given amount of freight service as the people of the United States are required to pay to private companies.

The returns for the Australian passenger service are even more meager than for freight, but they are sufficient to show that rates are no lower there than in this country. In Victoria the travel is divided into suburban and country traffic. The first includes all points within fifteen miles of Melbourne, and the rate is 2 cents a mile first-class and $1\frac{1}{2}$ cents second-class, rates no lower, if as low, as those obtained by the suburban traffic of all our great cities. Indeed, much of our suburban traffic is carried at less than 1 cent a mile. On the country lines Victoria charges 4 cents a mile first-class and $2\frac{3}{4}$ cents second-class. Three cents is the ordinary local rate in this country, while the passenger traffic for the whole United States is carried at an average rate of 2.142 cents per mile.

This brief examination shows that in every particular, unless it be that of holding railway building and the development of the colony in check, state management has proved less efficient in Victoria than private management has been here. Railways are built more slowly and at greater expense. Their charges are higher; yet their management is less efficient so that the net returns are poorer. But it is not from the direct effects of state ownership alone that the policy deserves condemnation. The indirect effects appear to be even more pernicious. These may be classed under two heads: (1) Borrowing until the state debt is increased beyond any reasonable limit; (2) leading the people to depend upon the government for employment with little regard to the product of their labor. This compels the government to continue building after all lines that could be profitably constructed are completed. Labor is not alone in its dependence upon the government. The whole community learns to

rely upon the government policy of borrowing for a continuance of its apparent prosperity.

On the first of these points, the magnitude of their debt, the Australians insist that their situation is different from that of other countries and is not accompanied by the same dangers. What if the debt of Australasia be over \$900,000,000, a debt greater than that of the whole United States, is it not contracted for reproductive purposes, and will not these reproductive works be able to take care of the interest? They do not seem disturbed by the fact that hitherto the taxes for interest payment have rapidly increased, and that the deficit is constantly growing larger with the extension of unproductive roads. From \$449,000,000 in 1880, the debt had grown to \$928,000,000 in 1890, or from \$165 to \$245 per capita for all the colonies. The lowest per capita debt is \$138 in West Australia, the highest \$358 in Queensland. Victoria and New South Wales have debts of about \$200 per capita.¹ The average per capita expenditure for interest on the public debt is \$9.75 per year, varying from \$14.75 in Queensland to \$6 in West Australia.² Since part of this is met by the receipts from works owned, it is only the portion not so met which measures the real burden upon the taxpayers. In Victoria the total interest is \$8,364,080, of which \$2,083,405 must be met by taxes.³ This gives a per capita taxation for interest charges of about \$1.75. In the other colonies the showing is much worse. In Queensland, where the annual per capita interest charge is \$14.75, only 27 $\frac{1}{3}$ per cent. is met by the revenue from railways and other productive works, leaving \$10.70 per capita to be paid by taxation. The total per capita taxation in that colony is \$18.50, over half of which is required to pay interest on capital borrowed for railway building. But it is unnecessary to burden these pages further with statistics of the debt in the various colonies. A study of the Year Book shows that the total debt, the debt per capita, the interest charges, and the proportion of interest charges which

¹ *Victorian Year Book*, vol. i. § 436.

² *Ibid.* § 415.

³ *Ibid.* § 409.

must be met by taxation, are increasing in every colony. The only check existing is imposed from without. The debt will cease to increase when Englishmen refuse to make further loans. The severe shocks of 1890 and 1893 have rendered borrowing less easy, but such is the dependence of the colonies upon foreign capital to give employment to labor and to keep business prosperous, that harder terms will be submitted to rather than change their policy, and go on the land or engage in enterprises which are really productive. So long as the people insist upon living in the cities, and the governments recognize an obligation to find work for them where they want it, so long will the borrowing policy be a necessity to be removed only by bankruptcy.

The railways which are built to develop the country produce that effect very slowly if at all. There is a slight increase in the amount of land under cultivation, but the per capita cultivation is declining in most of the colonies. Victoria had a per capita cultivation of 2.41 acres in 1883, which had increased to 2.49 acres in 1888. Since that time there has been a decline which brought the average to 2.34 acres in 1891. South Australia, West Australia, and Queensland all show a less per capita cultivation for 1891 than for some preceding years. This is a necessary consequence of the great concentration of population in cities. But New South Wales shows an absolute decline of the land in cultivation of 310,000 acres on a total area of 1,498,835 acres, or a decrease of 21.3 per cent. between 1890 and 1891. South Australia shows a decline of over 100,000 acres, New Zealand a decline almost as great, and Tasmania a small decline. In the seven Australasian colonies the land under cultivation in 1890 was 9,303,000 acres, and in 1892 only 8,869,000 acres, a decline of 434,000 acres, or 4.6 per cent. in two years.¹ Victoria shows a very slow increase in the amount of land farmed. In the five years from 1887 to 1891 the gain was but 111,170 acres, or 4.3 per cent. No colony shows a gain of any magnitude in the amount of land brought under the plow, and this accounts for the continued deficits on the new roads opened. The roads

¹ *Victorian Year Book*, 1892, vol. ii. § 439 and tables.

are built for the purpose of developing the country. They are not expected to show any profit till the country is settled, and so long as there are other causes at work keeping the people off the land there is no possibility of the railways yielding a net revenue. One of the causes of a slower development of agricultural resources in Australia than in the United States is the less liberal terms on which land can be obtained there. Victorian lands may be leased or purchased. The minimum purchase price, however, is £1 per acre, four times as much as the settler is charged for public lands in this country. And lands have not been given away by the Australian governments, while the United States has been lavish with gifts of its domains to railways as well as to actual settlers.

But there is still a more important reason which prevents the people in Australia from engaging in agriculture. The government works, carried on with borrowed capital, furnish employment under more desirable conditions and at better wages than can be earned upon the land. Thus the expenditure of large sums to develop the country has, by bulling the labor market, defeated its own ends. A writer in the *Nineteenth Century* described the situation in the following words:¹ "Colonial workmen have been so largely employed by the government upon public works that their habit is to demand such work directly other congenial employment is slack, and to insist upon having it in one of the great cities where they prefer to live even when employers up country are looking in vain for men. We saw the unemployed in Sydney marching about by hundreds, apparently well fed and well clothed, demanding of the government six shillings a day without piecework, because to offer less would be, as they termed it, a degradation of labor in New South Wales, and many of them declining it because, when provided, it was a few miles up the country. This aspect of colonial life deserves careful consideration. . . . Laborers go from town to town to reap the advantages of the loans, leaving the farmers to pay them."

¹ *Nineteenth Century*, 1891, p. 529.

Another evidence of the lack of attractions afforded by country life is furnished by the returns of the land tax. This is a tax on large estates, chiefly sheep runs, and includes all farms above 640 acres in extent, which are valued above £2500. The valuation is on an arbitrary scale according to the number of sheep kept on each acre. The amount of land assessed in 1880 was 6,894,746 acres, and in 1892 it was 6,964,375 acres, showing for the twelve years a gain of 69,629 acres, but the taxable value was actually less by £20,000 in 1892 than in 1880.¹

Still another proof of the declining state of the colonies is furnished by the tables showing the annual value of the produce, agricultural, pastoral, and mining. In 1883, the year when the great extension of the railway net was determined upon, the produce in Victoria under these three heads was £20,933,309, and it has not been as large since. The products of agriculture average about £400,000 per year higher now than before the last fifteen hundred miles of railway was built; but they were less in 1891 than in either of the two preceding years. Pastoral products were £37,000 greater in 1891 than they were ten years before, but they have remained almost stationary for twenty years. Nine to ten million pounds sterling was the value in 1874-5, and £10,200,000 is the highest amount yet reached. The products of the mines show a decline from £4,700,000 in 1874 to £3,300,000 in 1883 and £2,500,000 in 1891. The total value of the agricultural, pastoral, and mining produce in 1874 was £18,991,677. In 1880 it was £18,648,482. In 1883 it was £20,933,309, and below £20,000,000 every year since except 1890.² It seems that nothing is increasing in Australia except the city population, the debts and the railways. Yet the government manages a large part of the business done and that may be some consolation to our socialistic friends who do not wish to inquire too closely into economic results. How large a proportion of the business is done by the government may be ascertained by comparing the total annual income with

¹ *Victorian Year Book*, 1892, vol. i. § 361.

² *Ibid.* vol. ii. § 644.

the income of the government. The gross value of the produce for 1891 is returned at £30,243,519, and the government revenue at £8,343,588, with an expenditure £800,000 greater.¹ This shows that the government of Victoria collects about 27 per cent. of the gross revenue of the people. Yet from all accounts Victoria is not thriving and her people are not contented.

So much for the causes which are operating to keep back the development of the agricultural resources of Australia. A reference to the census returns which show the growth of city and rural population during the past ten years will show how striking has been the effect.

	Victoria.	Rural Victoria.	Melbourne.
Present population -	1,140,405	649,509	490,896
Increase in ten years	278,049	70,110	207,949
Per cent. of increase in ten years - - -	32.24	12.11	73.50 ²

Rural Victoria includes the entire population outside of Melbourne, although there are six important towns, one of which has almost 50,000 inhabitants. Two of these towns show a decline in the past ten years, and the gain for the six is only 5.2 per cent. Victoria, though the smallest of the Australian colonies, claims to be the most important and progressive. New South Wales is the only colony that approaches her. The congregation in Sydney has not been so great as in Melbourne, but the difference is only one of degree. The same policy is at work in all the colonies, but the others are so sparsely peopled and so new that the full effects are not yet manifested in them. In Victoria the population is thirteen to the square mile, eight less than the average for the United States. New South Wales has less than four to the square mile, and the other colonies have less than one. This alone would be a sufficient reason for selecting Victoria as the colony with which to make comparisons on railway statistics. Even with Victoria the comparison fails in some points. No section of similar area could be found in the

¹ *Victorian Year Book*, 1892, vol. ii. § 644 *et seq.*

² *Ibid.*, vol. i. § 180-189.

United States where two-fifths of the total population is collected in one city. Victoria has an area of 87,884 square miles; 7,000 more than Kansas, but the latter has a population 350,000 greater. Yet the six Kansas cities credited with more than 10,000 population have together less than one-fourth as many inhabitants as Melbourne, and, by the census of 1890, no city in Kansas had 40,000 inhabitants.

Thus far little has been said of one of the most potent causes of the failure of this great experiment in state socialism, namely, political control, with all that it implies. Until 1883, in Victoria, and later in other colonies, the roads were managed by the Minister of Railways, or of Public Works, a political officer who was changed with every change of government, and the usual results followed. In 1883 Victoria passed an act putting her railways in the hands of three commissioners, the chief of whom, Mr. Speight, was imported from England, because of his experience in the business management of railways. There was some difference of opinion as to the scope of the act, and the extent of the power with which it clothed the commissioners, but each new interpretation took power from them and gave it to the minister, first in regard to the building of new lines, and later as to the management of existing lines. The commissioners themselves were not very conservative. They believed in an annual expenditure of from two to four million pounds on railways, and wanted to distribute it equitably among the different parts of the colony. They did not expect the new roads to pay before 1895 or 1900, but would not consent to use economy in their construction for fear the roads would be poorer; and the people of one section, even though fewer in number and able to give the road less traffic, would not be content with a poorer road than the state had furnished to their neighbors. Neither could higher rates be charged on a poor branch line than on a main line where the traffic was heavy. The people might pay for the roads by taxation and allow all to have good transportation facilities at the same expense.¹

¹ *Report of the Parliamentary Standing Committee on Railroads, 1891*, p. xliv. et seq.

With these large views of their position and the principles according to which railways should be constructed, the commissioners combined honesty and a determination, not to say stubbornness, which would not let them be swayed by politicians or ministers. They held office for seven years, during which the roads were being rapidly extended, and they secured many improvements in management. But with all their saving, the rate of net returns steadily declined, the deficits became larger and larger, and this gave the ministry the chance it wanted to get rid of the commissioners and bring the roads under political management again. By the act under which they were working, the commissioners might be removed on the joint petition of both houses, or if Parliament was not in session, they might be suspended by the Governor in Council for inefficiency, mismanagement, or misbehavior, the action to be reported to Parliament within seven days after its opening, with the reasons therefor. If neither house petitioned for the reinstatement of the commissioners the suspension became a dismissal. In 1890, just on the eve of an election, the ministry suspended the commissioners on a charge of inefficiency and mismanagement. With the suspension as one of the issues, the government secured a majority in the next house, but the case against the commissioners was so weak that instead of prosecuting the quarrel which had been carried on with them for some time, the ministry compromised by withdrawing the charges and allowing them half of their salaries for the unexpired term if they would resign. Thus, for the time at least, the non-political management of the railways failed because it could not retain the support of the voters who wanted places in the public service. Increasing the amount of work to be done by the government, did not, in Victoria, bring the civil service reform which it is supposed to insure, or at least did not render it permanent.

In New South Wales and in some of the other colonies the non-partisan commissioners still retain power and seem to be working as honestly and efficiently as state officials can be expected to do. For New South Wales, particularly, the reports

show improvement. If the present commission, headed by Mr. Eddy, is continued in power, the management is likely to become still more efficient. After a long time they may show results approaching those obtained under private control, but this cannot be expected until they are entirely freed from political influence, so that efficient men, once found, can be continued in command. The entire abolition of the spoils system, however, is only the beginning, the condition precedent. The active force remains to be called into play. The rewards offered must be attractive enough to secure and retain the very best talent and business ability which the country affords. It would not be safe to say that pecuniary reward alone can secure the ablest men and call forth their greatest energy, but it is entirely within bounds to claim that no other kind of reward has yet been found which calls forth and sustains equal exertion or secures results as favorable. Men will work faithfully and honestly for the government, sometimes. They add enterprise, genius, sagacity, and other desirable qualities, when a part of the gain is to be their own. If the time ever comes when routine work, following a beaten path, doing what their fathers did, is all that is required of railway managers, it may then be safe to put the railways into the hands of government officials; but while the constantly changing conditions, which growth renders inevitable, continue, we must submit to the loss and the evils which change necessitates. Experience seems to prove that progress is more rapid, improvements greater, and results better, if the individuals who make the improvements are allowed to reap a part of the returns which their ability creates. So long as we desire to progress rapidly, then, is it not well to allow the kind of reward which experience proves to be the most effective? When the evils produced by the private management of railways can be shown to be greater or the gains less, than those of state ownership, there will be time enough to consider the advisability of a change. The most important test to be applied is surely the economic one: What are the results, both as regards rates and return on capital?

Discrimination, speculation, railway-wrecking, and other evils which have done so much to bring private management into ill repute, must be removed or controlled if the present system is to continue. But pernicious as they undoubtedly are, they seem less harmful than the speculation, borrowing, centralization, and dependence upon government for employment and business prosperity, which have accompanied state ownership in Australia.

The evils of the system existing in the United States are so well known that it is unnecessary to dwell upon them here. Its benefits seem to be overlooked, while the advantages of the other system are so often held up to view that the casual reader thinks only of the gains which are to be obtained by a change. He takes account of present evils, and compares them with distant advantages, disregarding existing advantages and distant evils.

The object of this article has been to call to mind the forgotten elements in the problem, rather than to discuss the question in its entirety. It is confidently believed that a knowledge of the evils which seem necessarily to accompany state management will delay for a long time, if not permanently, any radical change in the existing system.

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